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Message Text

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ACTION EB-08

INFO OCT-01 AF-10 ISO-00 L-03 IO-14 NSC-05 AID-05
CIAE-00 COME-00 FRB-01 INR-10 NSAE-00 ICA-20
XMB-04 OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 AGRE-00
/095 W
----------025026 190206Z /73
R 171701Z MAY 78
FM AMEMBASSY ABIDJAN
TO DEPT OF TREASURY WASHDC
AMEMBASSY COTONOU
INFO SECSTATE WASHDC 8751

UNCLAS SECTION 1 OF 2 ABIDJAN 4731

DEPT PASS NAC AGENCIES

E.O. 11652: N/A
TAGS: AFDF, EAID, EFIN
SUBJECT: AFRICAN DEVELOPMENT FUND LOAN FOR BENIN LIVESTOCK
DEVELOPMENT PROJECT

SUMMARY: AFRICAN DEVELOPMENT FUND MANAGEMENT PROPOSES 4.5 MILLION
FUND UNIT OF ACCOUNT (FUA EQUAL TO US $1.11) LOAN TO THE GOVERNMENT
OF THE POPULAR REPUBLIC OF BENIN TO FINANCE A PORTION OF PROJECT
INVOLVING ESTABLISHMENT OF TWO CATTLE BREEDING RANCHES AT MBETECOUCOU
AND SAMIONDJI, WITH FATTENING FACILITIES FOR FINISHING 1,000 HEAD
PER YEAR IN SAMIONDJI, AND THE EXPANSION OF FATTENING ACTIVITIES ON
THE EXISITNG IPINOU RANCH FOR A FURTHER 1,000 ANIMALS PER YEAR.
TOTAL COST OF PROJECT ESTIMATED AT 5.41 MILLION FUA TO BE CO-FINAN-
CED WITH GOB. PROJECT DEVELOPED IN CONSULTATION WITH UNDP/FAO.
END SUMMARY.

1. AFDF DOCUMENT BD/78/40 AND ATTACHMENTS DESCRIBING LOAN POUCHED
TO NAC AGENCIES MAY 16, 1978. REQUEST AMEMBASSY COTONOU CABLE ANY
VIEWS ON PROJECT TO ASSIST NATIONAL ADVISORY COUNCIL DELIBERATIONS
ON U.S. BOARD POSITION. BOARD CONSIDERATION SCHEDULED FOR JUNE 7, 19
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2. AFDF MANAGEMENT PROPOSES 4.5 MILLION FUA LOAN TO GOVERNMENT OF
BENIN TO FINANCE 83 PERCENT OF PROJECT INVOLVING ESTABLISHMENT OF
TWO BREEDING RANCHES AT MBETECOUCOU AND SAMIONDJI, WITH FATTENING
FACILITIES FOR FINISHING 1,000 STEERS PER YEAR IN SAMIONDJI, AND THE
EXPANSION OF STRAIGHT FATTENING ACTIVITIES ON THE EXISTING IPINOU

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RANCH FOR A FURTHER 1,000 ANIMALS PER YEAR. PROJECT COMPONENTS INCLUDE: (A) CLEARING AND ESTABLISHMENT OF IMPROVED PASTURES ON 20 THOUSAND HA OF LAND AT MBETECOUCOU AND 15 THOUSAND AT SAMIONDJI; (B) IMPROVEMENT OF PASTURES AND FENCING AT KPINOU; (C) PROVISION OF RANCH INFRASTRUCTURE TO INCLUDE STAFF HOUSING, ANIMAL SHELTERS, STORES, CORRALS, FACILITIES FOR HANDLING AND FEEDING OF ANIMALS, TRACKS AND FIREBREAKS; (D) PURCHASE OF 1,900 BREEDING AND EARLY PURCHASE TWO THOUSAND IMMATURE STOCK FOR FATTENING; (E) PROVISION OF FEED AND DRUGS FOR STOCK; (F) PROVISION OF FARM MACHINERY AND EQUIPMENT; AND (G) PROVISION OF A PROJECT MANAGEMENT TEAM. PROJECT COST BREAKDOWN IS AS FOLLOWS: INFRASTRUCTURE, 583 THOUSAND FUA (OF WHICH 59 PERCENT FOREX); MACHINERY AND EQUIPMENT, 436 THOUSAND FUA (94 PERCENT FOREX); LIVESTOCK PURCHASE, 1.5 MILLION FUA (50 PERCENT FOREX); OPERATION AND MAINTENANCE 898 THOUSAND FUA (60 PERCENT FOREX); STAFF SALARIES AND ADMINISTRATION, 763 THOUSAND FUA (ALL LOCAL COST). IN ADDITION, ALLOWANCE FOR PHYSICAL CONTINGENCIES OF EIGHT PERCENT AND APPROXIMATELY SEVEN PERCENT ALLOWANCE FOR PRICE ESCALATION TOGETHER EQUAL 1.7 MILLION FUA (52 PERCENT FOREX). BORROWER TO MEET ANY COST OVERRUNS. AFDF FINANCING EQUAL TO 83 PERCENT OF TOTAL PROJECT COSTS INCLUDING 100 PERCENT FOREX COSTS AND 65 PERCENT LOCAL COSTS. APPRAISAL REPORT INDICATES HIGH PERCENTAGE OF AFDF LOCAL COST FINANCING NECESSITATED BY GENERAL ECONOMIC CONDITIONS IN BENIN. PROCUREMENT OF MACHINERY AND EQUIPMENT TO BE THROUGH INTERNATIONAL COMPETITIVE BID PROCEDURES. LAND CLEARING AND INFRASTRUCTURE SUBJECT TO LOCAL TENDERING. PROPOSED TERMS OF AFDF LOAN, 50 YEARS AMORTIZATION, INCLUDING TEN YEARS GRACE, 0.75 PERCENT
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SERVICE CHARGE. GOB TO BE BORROWER. AFDF LOAN TO BE ONLENT TO EXECUTING AGENCY, SOCIETE POUR LE DEVELOPPEMENT DES RESOURCES ANIMALES (SODERA) AT INTEREST OF TWO PERCENT PER ANNUM, 25 YEARS AMORTIZATION, INCLUDING SEVEN YEARS GRACE.

3. BENIN CURRENTLY PRODUCES ABOUT 10,700 TONS OF BEEF PER YEAR, WHICH IS EQUAL TO 12 PERCENT OF THE NATIONAL CATTLE HERD OF 717 THOUSAND. PER CAPITA CONSUMPTION OF MEAT IS 3.2 KG PER ANNUM, WHICH IS REGARDED AS ONE OF THE LOWEST CONSUMPTION RATIOS IN THE WORLD. WITH A HUMAN POPULATION GROWTH OF 2.5 PERCENT PER YEAR, AND A GROWTH IN THE NATIONAL CATTLE HERD OF ONLY TWO PERCENT (AND DECREASING) THE FUTURE DEMAND FOR MEAT WILL FURTHER EXCEED THE PRESENT PRODUCTION CAPABILITY. CATTLE PRODUCTION HAS REMAINED ESSENTIALLY AT THE TRADITIONAL LEVEL, WITH HERDS RANGING FROM TEN TO 100 YEAD. THERE IS LITTLE COMMERCIALIZATION OF THE HERDS, AND NO COMMERCIALLY RUN CATTLE RANCHES IN THE COUNTRY. LIVESTOCK PRODUCTION IS LOW DUE TO POOR NUTRITION AND POOR ANIMAL HEALTH SERVICES. CALVING RATE IS LOW AT APPROXIMATELY 60 PERCENT, AND MORTALITY RATES ARE HIGH; ABOUT 30 PERCENT FOR CALVES AND TEN PERCENT FOR ADULTS. MARKETING OF LIVESTOCK AND MEAT IS CARRIED ON BY A LARGE NUMBER OF PRIVATE TRADERS. MEAT PRICES VARY CONSIDERABLY, BUT ARE GENERALL HIGH DUE TO

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R 171701Z MAY 78
FM AMEMBASSY ABIDJAN
TO DEPT OF TREASURY WASHDC
AMEMBASSY COTONOU
INFO SECSTATE WASHDC 8752

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DEPT PASS NAC AGENCIES

DIFFICULTIES IN TRANSPORTING LIVESTOCK TO MARKETS, COST MARGINS OF INTERMEDIARY BUYERS AND GENERAL SHORTAGE OF SUPPLY. THE GOVERNMENT INTENDS TO INTERVENE IN FIELD OF MARKETING BY ESTABLISHING FIXED PRICES AND BY DIRECT PARTICIPATION IN PRODUCTION AND DISTRIBUTION SYSTEM THROUGH STATE OWNED FACILITIES.

4. IN 1976, THE GOVERNMENT ESTABLISHED SODERA TO DEVELOP THE LIVESTOCK SECTOR. SODERA WILL WORK WITH OTHER GOVERNMENT AGENCIES, AND INTERNATIONAL AGENCIES SUCH AS UNDP/FAO WHICH CURRENTLY PROVIDES A NUMBER OF EXPERTS LOCATED IN THE COUNTRY TO ASSIST IN AN OVERALL DEVELOPMENT SCHEME. UNDP MAINTAINS THE ONLY NOTABLE LIVESTOCK DEVELOPMENT RESEARCH FACILITY IN THE COUNTRY AT KPINOU; WHERE PRODUCTION ACTIVITIES ARE TO BE EXPANDED UNDER THE AFDF SPONSORED PROJECT. UNDP SPONSORED RESEARCH AT THE KPINOU RANCH COVERS PASTURE DEVELOPMENT WHERE GENERALLY ACCEPTABLE RESULTS HAVE BEEN ACHIEVED. SOIL TYPES ON THIS RANCH ARE SIMILAR TO THOSE FOUND ON THE OTHER AFDF SPONSORED PROJECT AREAS, AND SUCCESSFUL SPECIES OF GROUND COVER WILL BE INTRODUCED ON THE NEW RANCHES WHERE THEY ARE NOT ALREADY GROWING NATURALLY. LARGE PORTIONS OF LAND ON THE PROPOSED SITES ALREADY CARRY DESIRABLE SPECIES OF GRASSES AND THEREFORE NEED NO
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FURTHER DEVELOPMENT.

5. BECAUSE THE SAHELIAN SOURCES OF BREEDING ANIMALS ARE LIMITED, IT WILL BE DIFFICULT TO PROCURE ALL BREEDING ANIMALS FROM OUTSIDE THE COUNTRY. THE PROJECT INVOLVES THE PURCHASE OF 1,900 BREEDING ANIMALS, THE MAJOR PORTION OF WHICH WILL BE SELECTED FROMWITHIN THE NATIONAL HERD. ANIMALS TO BE PURCHASED WILL BE DRAWN FROM RETIRED DRAFT ANIMALS AND ANIMALS NORMALLY SLAUGHTERED IMMATURE OR BELOW APPROPRIATE WEIGHT. IT IS ESTIMATED THAT BETWEEN 760 AND 950 ANIMALS MAY HAVE TO BE IMPORTED FROM NEIGHBORING COUNTRIES. PROCUREMENT OF BREEDING STOCK IS TO SPREAD OVER FIRST FOUR YEARS OF DEVELOPMENT PERIOD. AT FULL DEVELOPMENT, IN YEAR TEN, PROJECT TO BUILD UP BREEDING HERD TOTALLING 7,288 ON THE MBETECOUCOU AND SAMIONDJI RANCHES FROM THE INITIAL PURCHASE OF 1,900 COWS AND 600 BULLS. IN YEAR SIX, 100 HEIFERS ARE TO BE AVAILABLE FOR SALE TO LOCAL FARMERS. THIS NUMBER INCREASES TO 808 IN YEAR NINE, AND SUBSEQUENTLY RISES TO 1622 AT FULL PROJECT DEVELOPMENT. IT IS ESTIMATED THAT 60 PER-CENT OF ANIMALS PRODUCED WILL BE SUITABLE AS DRAFT STOCK FOR CULTI-VATION: THE RAMINDER TO BE BROUGHT UP TO 230 KG ON THE KPINOU RANCH FOR SUBSEQUENT CONSUMPTION.

6. DISTRIBUTION OF MEAT FOR CONSUMPTION WILL BE FACILITATED BY SODERA. SODERA PLANS TO BUILD TWO ADDITIONAL BUTCHERIES AT COTONOU AND ALSO PLANS TO OPERATE FOUR ADDITIONAL STORES; TWO IN COTONOU, ONE IN PARAKOU AND ONE IN MALANVILLE. THEIR PROJECTED SALES CAPA-CITY IS TO REACH 35 TO 40 METRIC TONS OF BEEF PER WEEK. PRICING SCHEMES HAVE YET TO BE DEVELOPED, HOWEVER, AFDF LOAN CONDITIONS STIPULATE THAT GOB SHALL GUARANTEE THAT THE PRICE OF MEAT WILL BE REVIEWED PERIODICALLY WITH A VIEW TO MAINTAINING PROJECT VIABILITY.

7. FUNDS FLOW ANALYSIS INDICATES THAT SODERA WILL ACCUMULATE SURPLUS DURING FIRST FIVE YEARS OF OPERATION DUE TO FACT THAT OPERATING EXPENSES ARE ASSUMED BY GOB AND AFDF LOAN. DEFICITS REGISTERED IN UNCLASSIFIED

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YEARS SIX THROUGH ELEVEN WHEN SODERA ASSUMES OPERATING EXPENSES AND LOAN AMORTIZATION COMMENCES. OVERALL FINANCIAL RATE OF RETURN ES-TIMATED AT 5.3 PERCENT.

8. PROJECTED BENEFITS OF PROJECT INCLUDE THE RAISING OF THE PER CAPITA CONSUMPTION OF BEEF FROM 3.2 KG TO ABOUT 5 KG IN 1985, RESUL-TING IN ALLEVIATION OF SOME MALNUTRITION PROBLEMS. PROPOSED PRO-JECT REPRESENTS GOB'S FIRST ATTEMPT TO DEVELOP COUNTRY'S POTENTIAL IN GRASSLAND RESOURCES AND CATTLE PRODUCTION THROUGH INTRODUCTION OF PROVEN LIVESTOCK PRODUCTION TECHNIQUES. NATIONAL BREEDING HERD WOULD BE STRENGTHENED THROUGH PROVISION OF IMPROVED HEIFERS TO INDIVIDUAL FARMERS, AND AGRICULTURAL PRODUCTION WOULD BENEFIT FROM AVAILABILITY OF SUITABLE DRAFT STOCK. GOB IS ENCOURAGING INTRODUCTION OF DRAFT CULTIVATION SINCE INITIAL EXPERIENCES INDI-CATE THAT INTRODUCTION OF ONE PAIR OF BULLOCKS IN SMALL HOLDING

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CAN DOUBLE INDIVIDUAL FARMER INCOME. BASED ON PROJECT ECONOMIC
LIFE OF 25 YEARS, ECONOMIC RATE OF RETURN ESTIMATED AT SEVEN
PERCENT.
COOKE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LIVESTOCK, DEVELOPMENT LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
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Disposition Reason:
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Executive Order: N/A
Errors: N/A
Expiration:
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Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
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Previous Handling Restrictions: n/a
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Status: NATIVE
Subject: AFRICAN DEVELOPMENT FUND LOAN FOR BENIN LIVESTOCK DEVELOPMENT PROJECT SUMMARY: AFRICAN DEVELOPMENT FUND MANAGEMENT PROP
TAGS: EAID, EFIN, DM, AFDF
To: TRSY COTONOU
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/7d333e9c-c288-dd11-92da-001cc4696bcc
Review Markings:
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